

Testimony of  
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Testimony for the Committee for Purchase  
From People Who Are Blind or Severely Disabled

Public Hearings Relating to Governance and Executive Compensation

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I am Wayne McMillan, President & CEO of Bobby Dodd Institute, Atlanta, Georgia and appreciate the opportunity to comment with respect to nonprofit agency governance and executive compensation.

The Committee for Purchase From People Who Are Blind or Severely Disabled (the Committee) is to be commended for their intent to require that JWOD producing nonprofit agencies meet prudent governance standards. The protection of meaningful employment opportunities for people with disabilities is important. Therefore, ensuring that federal customers continue to receive high-value products and services is absolutely critical.

The Committee enumerates 14 criteria and tests as benchmarks of good governance practices. I am pleased the Bobby Dodd Institute meets or exceeds these criteria. In fact, Bobby Dodd Institute was selected as the best managed nonprofit in Atlanta by winning the prestigious Managing for Excellence Award. The agency is accredited by CARF and received exemplary commendations from them for mission focus and financial stewardship. I point this out to demonstrate that nonprofits, even a relatively small nonprofit such as Bobby Dodd Institute, are already meeting and exceeding standards in the field from internal motivation.

In addition, we know that a quality staff is our greatest asset and strongly encourage and support employees to obtain certification within their profession. We recognize the causal relationship between the development of a strong staff, recognition as a leader in our field, and successful business operations. I believe that most producing JWOD nonprofit agencies, and in fact any organization with the desire to succeed, subscribe to this business theory and act accordingly.

In a marketplace that cannot always be predicted or controlled, JWOD Program participating nonprofits have to be fluid and responsive to marketplace changes, savvy about seeking opportunities, and of an entrepreneurial spirit regarding the creation of new lines of employment opportunities. The current JWOD Program participating nonprofit agencies, though incredibly diverse, have these characteristics in common.

This flexibility would be inhibited by a one-size-fits-all governance policy. Moreover, while any kind of new rules that may be put in place would likely remain static, one can be assured that the marketplace will not. The marketplace is a dynamic, changing thing and participating nonprofits must be empowered to act with the level of flexibility and proactivity necessary to be truly competitive.

Take, for example, a nonprofit in a low-density population area. A requirement that board of directors' members be rotated off could seriously undermine an agency's core leadership and perhaps its very existence. Again, each nonprofit is diverse and operating within its unique sphere. An across-the-board governance regulation that does not take into account this operational diversity has the potential to hurt more than help.

I urge the Committee to consult with CARF and/or other accrediting organizations with respect to the establishing a range of practices rather than an arbitrary single criterion. The Committee is also urged to stay away from rule making that prescribes board governance to supercede legislative requirements currently in effect.

I thoroughly support the Committee's intent to ensure responsible compensation practices for nonprofit executives. Again, I would caution the Committee to consider the considerable complexity that boards deal with in recruiting and retaining qualified executive staff and the competitive labor market. The American Society of Association Executives research indicates that there is increased demand for chief executive officers and retention is averaging less than five years. This coupled with the retirement of the "Baby-Boomers" increases the demand for qualified executives even more. With so many job opportunities flooding the market, nonprofits must offer extremely competitive salary and benefit packages in order to attract the best and brightest.

Executives of JWOD-producing agencies must have extremely refined skill sets and business acumen in order to successfully operate competitive tax-exempt businesses. Nonprofit agencies should not be asked to seek less-experienced candidates merely because their salary requirements are lower. High performance demands and deserves a higher salary. There is no substitute for quality, and quality often carries a price.

While executive compensation is a complex issue, it has no direct impact on influencing pricing to the JWOD program. Contracts are negotiated based on scope of work and other variables including the actual price the government customer can pay. In the end, both parties agree to reasonable fair market price. The real issue is not salary, but ethics.

Recent news articles have pointed to some JWOD-producing nonprofit agencies for many alleged failures of integrity of executives and their board of directors. I submit that these ethically challenged organizations are the exception, not the rule.

The overwhelming majority of JWOD-producing agencies operate at the highest of standards of best practices, which can be evidenced in the retention and expansion of contracts. These agencies are why the JWOD program is so successful. These are the agencies that are in the trenches day-in, day-out meeting the government customer's needs and supporting a labor force that requires special care.

The JWOD Program is made up of a vast array of diverse and worthy nonprofits. I strongly urge the Committee to not cripple a successfully functioning system by imposing restrictions that are unnecessary to all but a very, very few unethical agencies.

Thank you for your time and thoughtful consideration.